



**54<sup>th</sup> ANNUAL REPORT**

**FISCAL YEAR 2009-2010**

## **POOLED MONEY**

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## **INVESTMENT**

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## **BOARD**

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**BILL LOCKYER**  
State Treasurer and Chairman

# Preface

## *Pooled Money Investment Board*

The Pooled Money Investment Board (PMIB), created by the Legislature in 1955, is comprised of the State Treasurer, as chairman; the State Controller and the Director of Finance. At the end of 2009-10, the members were Bill Lockyer, Treasurer; John Chiang, Controller; and Ana J. Matosantos, Director of Finance.

The purpose of the Board is to design and administer an effective cash management and investment program, called the Pooled Money Investment Account (PMIA). The PMIA uses all monies flowing through the Treasurer's bank accounts and keeps all available funds invested consistent with the goals of safety, liquidity and yield.

The law restricts the Treasurer to investments in the following categories: U.S. government securities; securities of federally-sponsored agencies; domestic corporate bonds; interest-bearing time deposits in California banks, savings and loan associations, and credit unions; prime-rated commercial paper; repurchase and reverse repurchase agreements; security loans; banker's acceptances; negotiable certificates of deposit; negotiable order of withdrawal accounts; and loans to various bond funds. Subsequent sections of this report deal individually with the demand account and investment programs for which the Board has oversight responsibilities, and which the Treasurer directly administers.

During 2009-10, the PMIA's earnings totaled \$424 million. Approximately \$156 million of this amount was credited to units of local government as a result of their deposits in our investment pool. The level of local governments' voluntary investment, which averaged \$23.74 billion, reflects the confidence these agencies have in our investment management capabilities. The magnitude of these investment earnings provide a significant reduction in the tax burden that otherwise would have been imposed on the citizens of California.

# ***Pooled Money Investment Board***

## ***54<sup>th</sup> Annual Report***

### ***Fiscal Year 2009-2010***

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# Overview

## The Year in Review

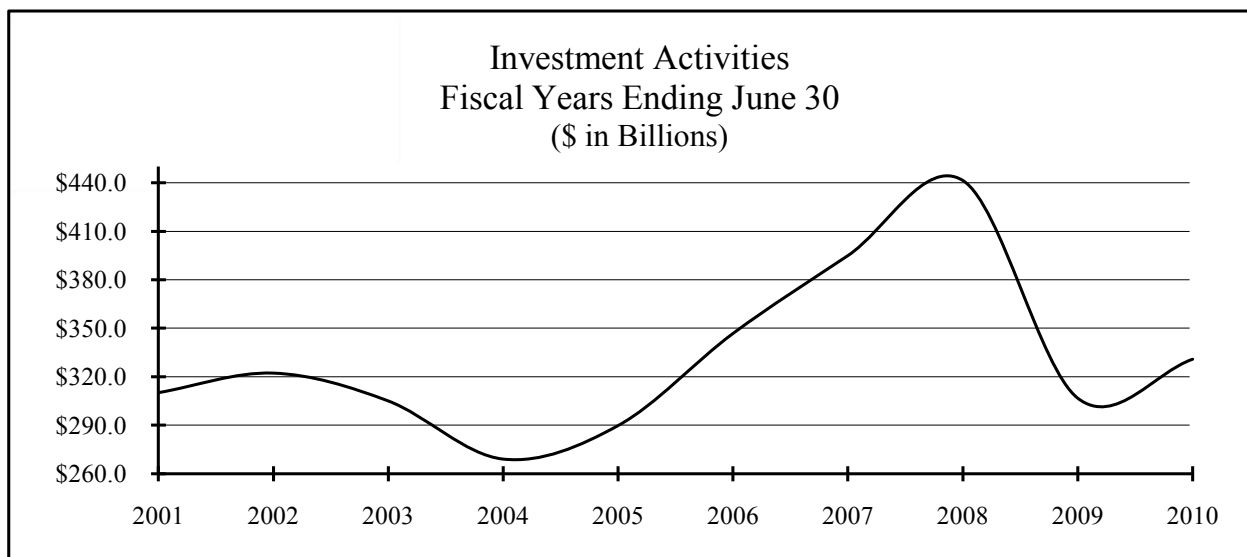
Average Daily Portfolio..... \$ 65,080,839,200

Earnings..... \$423,803,882

Effective Yield..... 0.65%

## Investment Activity for Fiscal Years Ending June 30 2001 through 2010 (\$ in Billions)

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Amount	\$310.2	\$322.3	\$305.1	\$269.1	\$289.8	\$346.8	\$395.0	\$441.5	\$306.8	\$330.9
Transactions	7,889	8,025	7,524	6,630	6,961	8,242	9,448	10,528	7,346	7,680



Source: State Treasurer's Office, Investment Division

# 2009-10 Investment Market Conditions

To indicate prevailing market conditions during 2009-10, the following table shows monthly money market rates, as computed from daily closing bid prices. The information was obtained from the Federal Reserve Statistical Release.

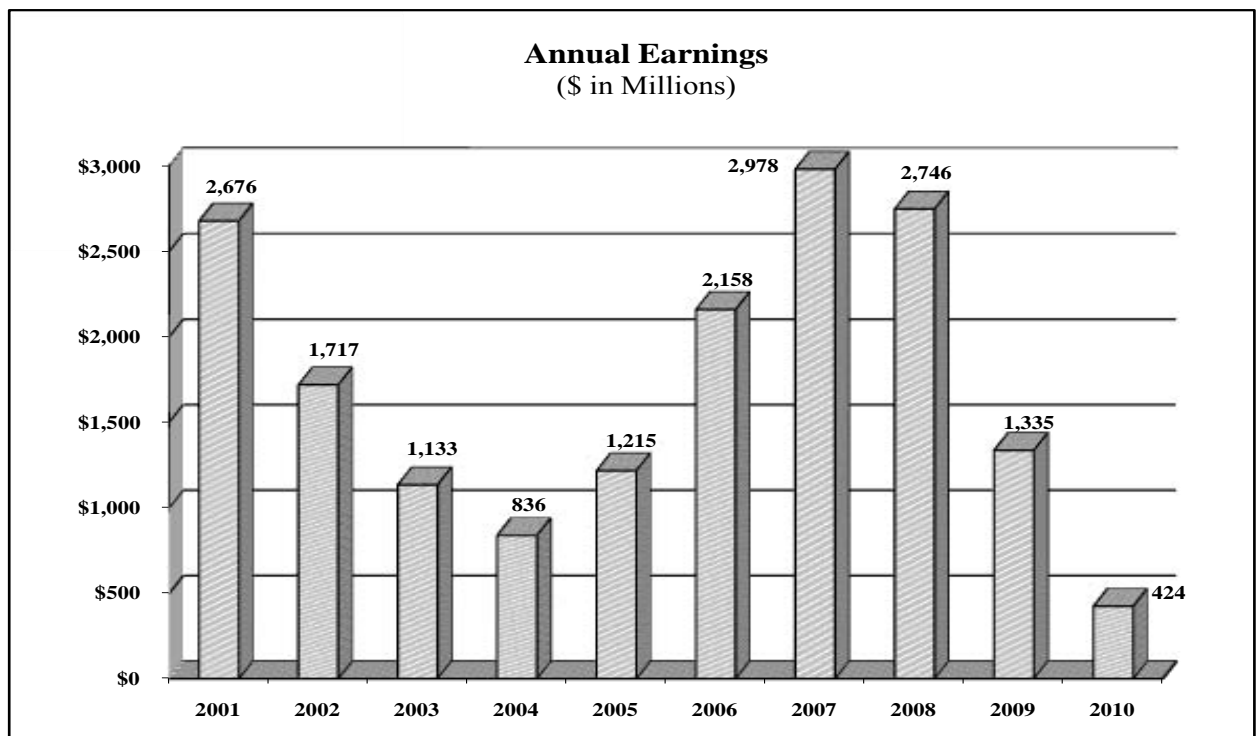
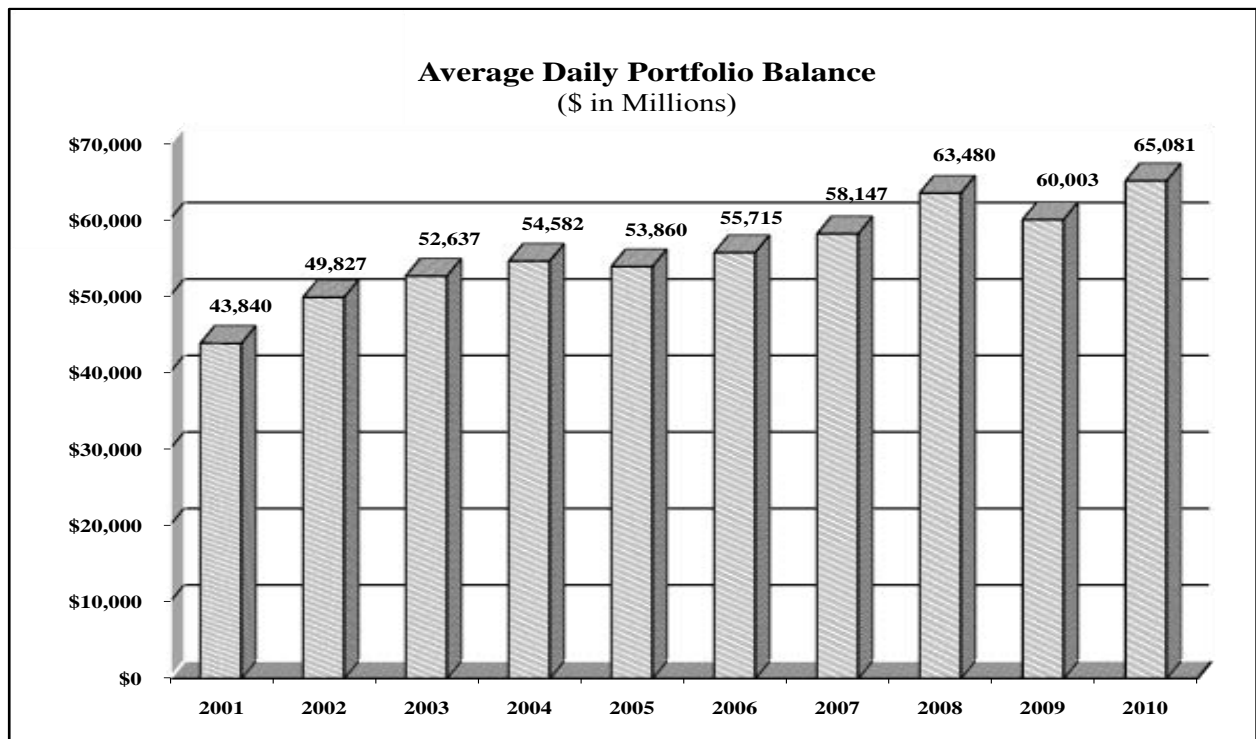
## Monthly Yield on Money Market Securities (Yield in Percent per Year)

Month	Federal Funds	90-Day Finance Company Commercial Paper	90-Day Certificate of Deposits	3-Month Treasuries	6-Month Treasuries	1-Year Treasuries	3-Year Treasuries
July 2009	0.16	0.33	0.35	0.18	0.28	0.48	1.55
August	0.16	0.29	0.30	0.17	0.27	0.46	1.65
September	0.15	0.23	0.25	0.12	0.21	0.40	1.48
October	0.12	0.22	0.24	0.07	0.16	0.37	1.46
November	0.12	0.19	0.21	0.05	0.15	0.31	1.32
December	0.12	0.20	0.22	0.05	0.17	0.37	1.38
January 2010	0.11	0.18	0.20	0.06	0.15	0.35	1.49
February	0.13	0.20	0.19	0.11	0.18	0.35	1.40
March	0.16	0.24	0.23	0.15	0.23	0.40	1.51
April	0.20	0.30	0.30	0.16	0.24	0.45	1.64
May	0.20	0.44	0.45	0.16	0.22	0.37	1.32
June	0.18	0.46	0.52	0.12	0.19	0.32	1.17
2009-2010 Average	0.15	0.27	0.29	0.12	0.20	0.39	1.45
2008-2009 Average	0.70	1.48	1.88	0.54	0.83	1.05	1.72
Increase-(Decrease)	(0.55)	(1.21)	(1.60)	(0.43)	(0.63)	(0.67)	(0.27)

Note: Yields on Treasury nominal securities at “constant maturity” are interpolated by the U.S. Treasury from the daily yield curve for non-inflation-indexed Treasury securities. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations obtained by the Federal Reserve Bank of New York. The constant maturity yield values are read from the yield curve at fixed maturities, currently 1, 3, and 6 months and 1, 2, 3, 5, 7, 10, 20, and 30 years. This method provides a yield for a 10-year maturity, for example, even if no outstanding security has exactly 10 years remaining to maturity. The 90-day Commercial Paper is quoted on a discount basis.

Note: Totals may not add due to rounding.

# Comparisons of Portfolio Balance and Earnings for Fiscal Years Ending June 30 2001 through 2010



Source: State Treasurer's Office, Investment Division

# Pooled Money Investment Account

## Summary Statistics

Resources .....	\$	67,782.7	million per day on the average
Demand Accounts.....	\$	1,404.6	million per day on the average
NOW Demand Accounts.....	\$	1,297.3	million per day on the average*
Portfolio.....	\$	65,080.8	million per day on the average
Earnings .....	\$	349.1	million from security investments
		9.4	million from bank time deposits
		65.2	million from General Fund loans
Earning Rate .....		0.65	percent average for all investments
Dollar Value of Investment Transactions .....	\$	330.9	billion
Number of Investment Transactions .....		7,680	transactions
Time Deposits .....		58	banks, credit unions and savings banks
			held PMIA money at year-end

\*Negotiable Order of Withdrawal accounts were opened in January 2009 and closed in December 2009, therefore there were only 6 months of balances during fiscal year 2009-10.

Source: State Treasurer's Office, Investment Division and Cash Management Division

Resources of the PMIA averaged \$67,782,731,854 per day during the fiscal year although the daily figures fluctuated widely with receipts and disbursements. The high point for the year occurred on April 30, 2010 when the total reached more than \$76,288,758,000. Resources for the account were lowest on October 6, 2009, when balances totaled less than \$61,231,772,000.

A breakdown of an average day's resources during the fiscal year shows the following: \$1.405 billion in non-interest-bearing bank accounts; \$1.297 billion in interest-bearing Negotiable Order of Withdrawal (NOW) accounts; \$60.433 billion in securities and General Fund Loans; and \$4.648 billion in interest-bearing time deposits.

On the closing day of the fiscal year, the following resources were on hand in the PMIA:

Demand deposit balances	\$	1,532,141,212
Time deposit balances		4,146,150,000
Securities		<u>65,239,816,558</u>
<b>Total Resources</b>		<b>\$70,918,107,770</b>

## ***Demand Account Program***

Investments of the PMIA are made from monies flowing through the Treasurer's demand (non-interest-bearing) bank accounts maintained in eight banks that serve as State depositories. As of June 30, 2010, the eight depository banks were: Bank of America, Union Bank, Bank of the West, U.S. Bank, Wells Fargo Bank, Westamerica Bank, Citibank, and JP Morgan Chase. A small portion of these deposits must remain in the accounts as compensating balances, which consist of: (1) a balance for uncollected funds and (2) a balance for banking services. Uncollected funds represent the total dollar amount of checks deposited by the State for which the banks give immediate credit, but for which the banks do not receive good funds until these checks are presented to the banks on which they are drawn. The State allows the banks an average balance for uncollected funds equivalent to 1.0 calendar days on all checks deposited other than cashier's checks and checks deposited under the presort deposit program.

All amounts in excess of these compensating balances are promptly invested by the Treasurer. Intensive and expert analysis of receipts and disbursement data is used daily to estimate the State's rapidly shifting cash position in order to determine exactly how much money is available for investment. This results in maximum earnings consistent with prudent management.

Under the presort deposit program, the major revenue collecting agencies sort their checks by the eight State depository banks and then deposit them directly into the banks on which they are drawn, thus avoiding the need for providing bank balances for uncollected funds. The remaining miscellaneous checks (drawn on non-State depository banks) are deposited into the State depository bank that holds the miscellaneous sort contract. For fiscal year 2009-10, Bank of America has the contract and receives bank balances equivalent to .945 calendar days for the amount of such deposits.

The balances allowed for banking services represent compensation for handling 283,468 bank deposits, 44.7 million checks deposited, 331,194 dishonored checks, \$966.4 million in currency deposited, \$9.5 million in coin deposited, and 135.9 million warrants paid.

Compensating balances are determined by a formula, which accounts for the estimated volume of each service item as well as its unit cost. The rate schedule for the compensating balance formula is determined through annual negotiations with the State's depository banks and the cost for any particular service may be raised or lowered as conditions warrant. Adjustments for the difference between actual and estimated workload for any fiscal year are made in the following fiscal year.

In addition to the rates shown below, the State agreed to include the costs of account reconciliation and electronic funds transfer (EFT) services within the compensating balance formula starting in 1991-92. The costs for these two services are paid (with balances) on a lagged, actual basis when billed by each bank. During 2009-10, a total of \$100.5 billion was collected under the EFT contract and approximately \$2.1 trillion flowed in and out of the State Treasurer's demand accounts.



The following schedule shows the approved rates, actual volume, and total costs for banking services for 2009-10:

## Schedule of Banking Services 2009-10 Fiscal Year

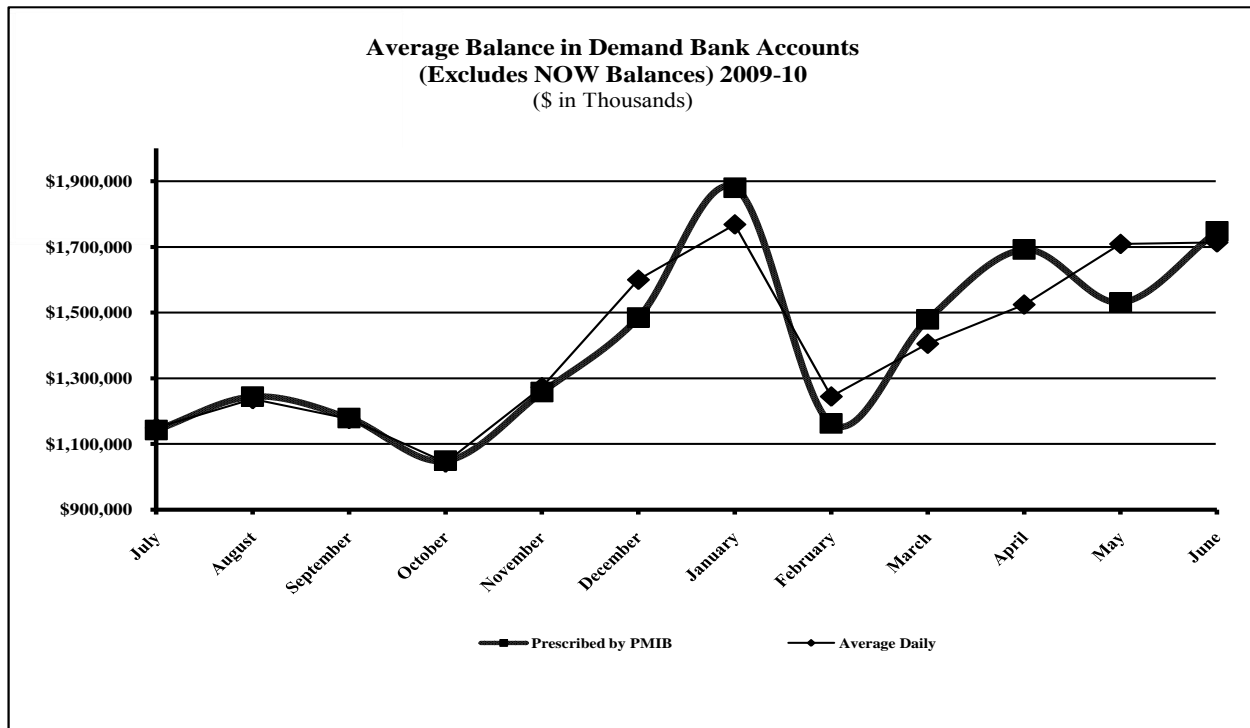
Banking Service	Approved Charges	Actual Volume	Actual Cost
Encoded Checks Deposited - On Us			
"On Us"	\$0.04	15,011,347	\$600,454
"Other"	0.053	16,806,014	890,719
Non Encoded Checks	0.09	12,908,717	1,161,785
Warrants	0.01	135,863,510	1,358,635
Checks Paid	0.12	434	52
Dishonored Checks	2.75	331,194	910,784
Regular Deposits	1.40	175,894	246,252
Split Bag Deposits	0.55	107,574	59,166
Coin	0.01100	9,472,388	104,196
Currency	0.00105	966,372,283	1,014,691
Account Maintenance (ZBA's)	15.00	2,793	41,895
Account Maintenance (Demand & LAIF)	55.00	36	1,980
Daily Statements	6.00	1,809	10,854
Direct Billed Services			705,111
Subtotal Non-EFT Contract Services			<b>\$7,106,574</b>
EFT Contract Services (Direct Billed)			
ACH Credit/Debit- Union	\$0.5985	926,150	554,301
Direct Debit - Union	0.03	639,387	19,182
Category I & III - ACH Debits - Citibank	0.50	2,120,237	1,060,119
Category I - ACH Credits - Citibank	0.021	3,196,787	67,133
Returned/Rejected Items - Citibank	2.50	120,885	302,213
Category II - Items Processed - Citibank	0.015	4,457,055	66,856
Other transactions (Union & Citibank)	Various	434,093	465,077
Subtotal EFT Contract Services			<b>\$2,534,881</b>
<b>Total Banking Services</b>			<b>\$9,641,455</b>

Source: State Treasurer's Office, Cash Management Division

Note: Totals may not add due to rounding.

# Average Daily Balance in Demand Bank Accounts 2009-10 (\$ in Thousands)

Month	Bank Balance Required for Banking Services	Bank Balance Required for Uncollected Funds	Less Net Delayed Deposit Credit	Bank Balance Prescribed by PMIB	Actual Average Daily Bank Balance
<b>July 2009</b>	\$1,060,884	\$86,692	\$5,459	\$1,142,117	\$1,149,201
<b>August</b>	\$1,105,575	143,121	4,203	1,244,494	1,236,517
<b>September</b>	\$1,045,464	142,670	8,967	1,179,167	1,176,032
<b>October</b>	\$965,133	90,144	6,353	1,048,923	1,043,132
<b>November</b>	\$1,161,464	100,514	4,074	1,257,903	1,272,673
<b>December</b>	\$1,346,190	143,494	4,485	1,485,199	1,599,876
<b>January 2010</b>	\$1,697,494	187,470	4,475	1,880,489	1,768,364
<b>February</b>	\$1,141,554	24,866	4,117	1,162,304	1,244,422
<b>March</b>	\$1,383,890	99,649	4,229	1,479,311	1,404,915
<b>April</b>	\$1,487,072	209,343	4,372	1,692,043	1,524,290
<b>May</b>	\$1,424,449	109,403	2,773	1,531,079	1,708,925
<b>June</b>	\$1,630,752	122,661	5,901	1,747,512	1,713,550
<b>Weighted Average</b>	<b>\$1,288,214</b>	<b>\$122,222</b>	<b>\$4,948</b>	<b>\$1,405,488</b>	<b>\$1,404,600</b>



Source: State Treasurer's Office, Cash Management Division

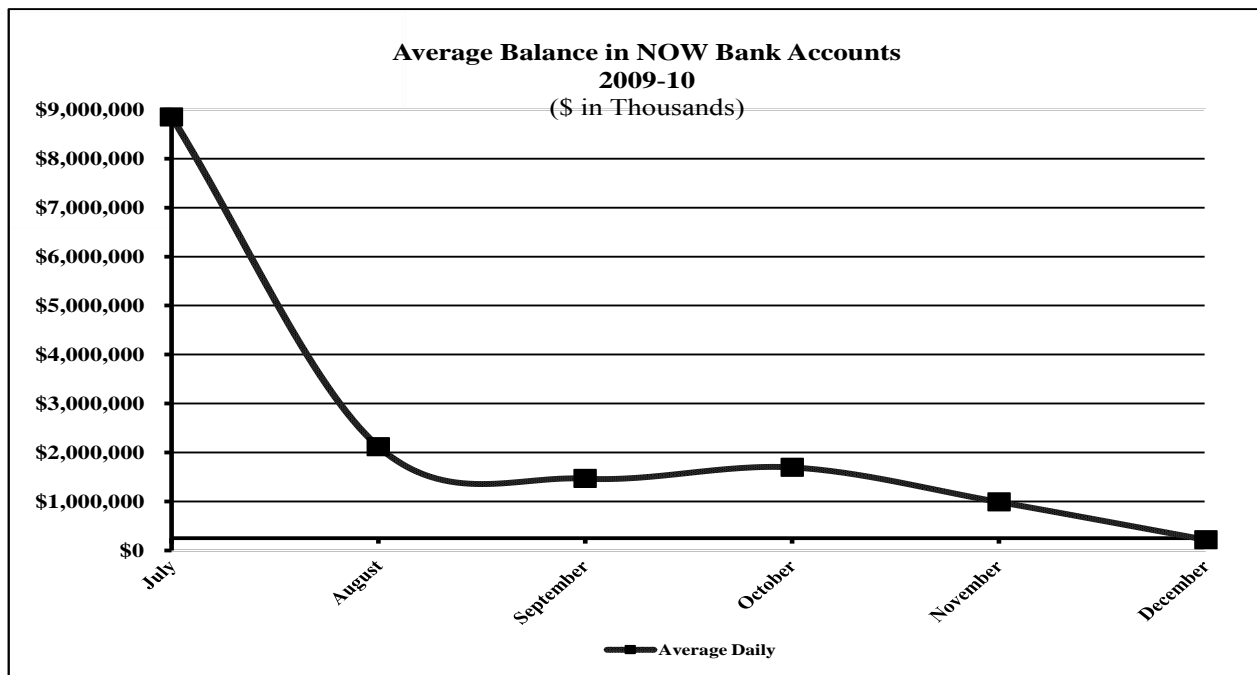
Note: Totals may not add due to rounding.

# ***NOW Demand Account Program***

On October 14, 2008, the Federal Deposit Insurance Corporation (FDIC) announced its temporary Transaction Account Guarantee Program, providing depositors with unlimited coverage for noninterest-bearing transaction accounts, if their bank was a participant in the FDIC Temporary Liquidity Guarantee Program. The guarantee also covers Negotiable Order of Withdrawal (NOW) accounts, which are interest-bearing accounts available from commercial banks. The NOW accounts differ from Money Market Funds because there are no underlying securities to support the net asset valuations and the interest rates are fixed. They are simply deposits, available for withdrawal at anytime. Two of the banks utilized by the State Treasurer as depository institutions participated in the program and offered NOW accounts. Monies placed in these accounts were fully insured by the FDIC until December 31, 2009. There were no fees or additional costs associated with the establishment or maintenance of the NOW accounts. During fiscal year 2009-10, there were six months of balances in the NOW accounts. The accrued interest earned on NOW account balances during fiscal year 2009-10 was \$3,943,667.

## **Average Daily Balance in NOW Demand Bank Accounts 2009-10 (\$ in Thousands)**

Month	July	August	September	October	November	December	Weighted Average
<b>Avg Daily Balance</b>	\$8,849,906	\$2,119,924	\$1,470,343	\$1,699,295	\$992,703	\$221,856	\$1,297,293



Source: State Treasurer's Office, Cash Management Division

## *Investment Program*

Although the PMIB designates how much shall be invested in interest-bearing time deposit accounts and securities, it is the responsibility of the State Treasurer to administer the investment program on a day-to-day basis in line with overall Board policy. This entails a daily determination of amounts available for investment, or the need for liquidating securities to meet estimated warrant redemption requirements, while maintaining the approved compensating balance position. This means that the State Treasurer must continually adjust the estimates for receipts and disbursements to reflect current, available information.

For 2009-10, daily investments in time deposits ranged from \$3,995,640,000 to \$5,556,000,000 and averaged daily \$4,647,944,411. There were 1,720 time deposit transactions totaling \$38,102,390,000 during the year. California commercial banks, savings banks and credit unions receiving these State deposits must secure them with approved securities having a market value of at least 110 percent of the deposits or with approved promissory notes secured by mortgages or deeds of trust having a market value of at least 150 percent of the deposits. The same collateral requirements also apply to the State's demand accounts. At the end of 2009-10, interest-bearing time deposits were held by 48 commercial banks, 6 credit unions and 4 savings banks throughout California. For the fiscal year, PMIA holdings in time deposits had an average yield of 0.20 percent.

The amount of money designated by the Board for investment in securities varies dramatically throughout the year. Such designations are made at least monthly. Again, the Treasurer handles the actual investments, determining the issue and maturity of authorized securities to be bought or sold in accordance with cash needs and both current and projected market conditions. During 2009-10, there were 3,258 security purchase transactions and 2,702 security sales or redemption transactions, with a total investment activity of \$292.8 billion.

Total earnings for the PMIA in 2009-10 were \$423,803,882. These earnings were credited as follows:

General Fund	\$ 41,527,666
Fish and Game Preservation Fund	\$ 638,761
Surplus Money Investment Fund	\$ 223,793,195
Local Agency Investment Fund	\$ 156,372,921
Public Employee's Retirement Fund	\$ 1,045,167
State Teacher's Retirement Fund	\$ 426,172

Earnings consisted of \$349,143,999 from security investments at an average 0.69 percent yield, \$9,428,728 from time deposits at an average 0.20 percent yield and \$65,231,155 from General Fund loans at an average 0.68 percent yield. The overall return on investment was 0.65 percent.

The portfolio holdings of the PMIA for 2009-10 are illustrated in the following tables:

<b>Schedule of Security Purchases by Term</b> <b>2009-10 Fiscal Year</b> (At Cost - \$ in Thousands)							
<b>Month</b>	<b>Under 10 Days</b>	<b>10-29 Days</b>	<b>30-89 Days</b>	<b>90 Days- 1 Year</b>	<b>1 - 3 Years</b>	<b>Over 3 Years</b>	<b>TOTALS</b>
July 2009	\$749,925	\$6,098,920	\$8,452,055	\$1,146,456	\$699,847	\$0	\$ 17,147,203
August	983,954	2,294,322	6,323,543	5,579,876	2,888,281	15,341	18,085,317
September	0	1,924,383	1,974,388	9,400,551	2,595,234	0	15,894,556
October	0	3,455,599	2,424,500	4,443,987	2,396,888	0	12,720,974
November	824,965	1,780,722	3,574,687	1,573,826	149,974	16,160	7,920,334
December	79,995	4,124,777	4,493,434	3,587,458	99,616	0	12,385,280
January 2010	399,991	2,449,829	5,663,489	1,395,269	897,440	0	10,806,018
February	0	1,149,913	6,856,521	1,296,138	498,284	15,677	9,816,533
March	99,999	1,124,924	7,214,407	2,341,610	1,591,926	299,246	12,672,112
April	299,992	2,071,857	6,923,637	4,235,507	373,626	15,706	13,920,325
May	0	299,977	6,648,565	4,112,603	0	0	11,061,145
June	1,199,984	299,978	5,241,884	10,901,287	0	0	17,643,133
<b>Total</b>	<b>\$4,638,805</b>	<b>\$27,075,201</b>	<b>\$65,791,110</b>	<b>\$50,014,568</b>	<b>\$12,191,116</b>	<b>\$362,130</b>	<b>\$160,072,930</b>
<b>Percent</b>	<b>2.90%</b>	<b>16.91%</b>	<b>41.10%</b>	<b>31.24%</b>	<b>7.62%</b>	<b>0.23%</b>	<b>100.00%</b>

Source: State Treasurer's Office, Investment Division

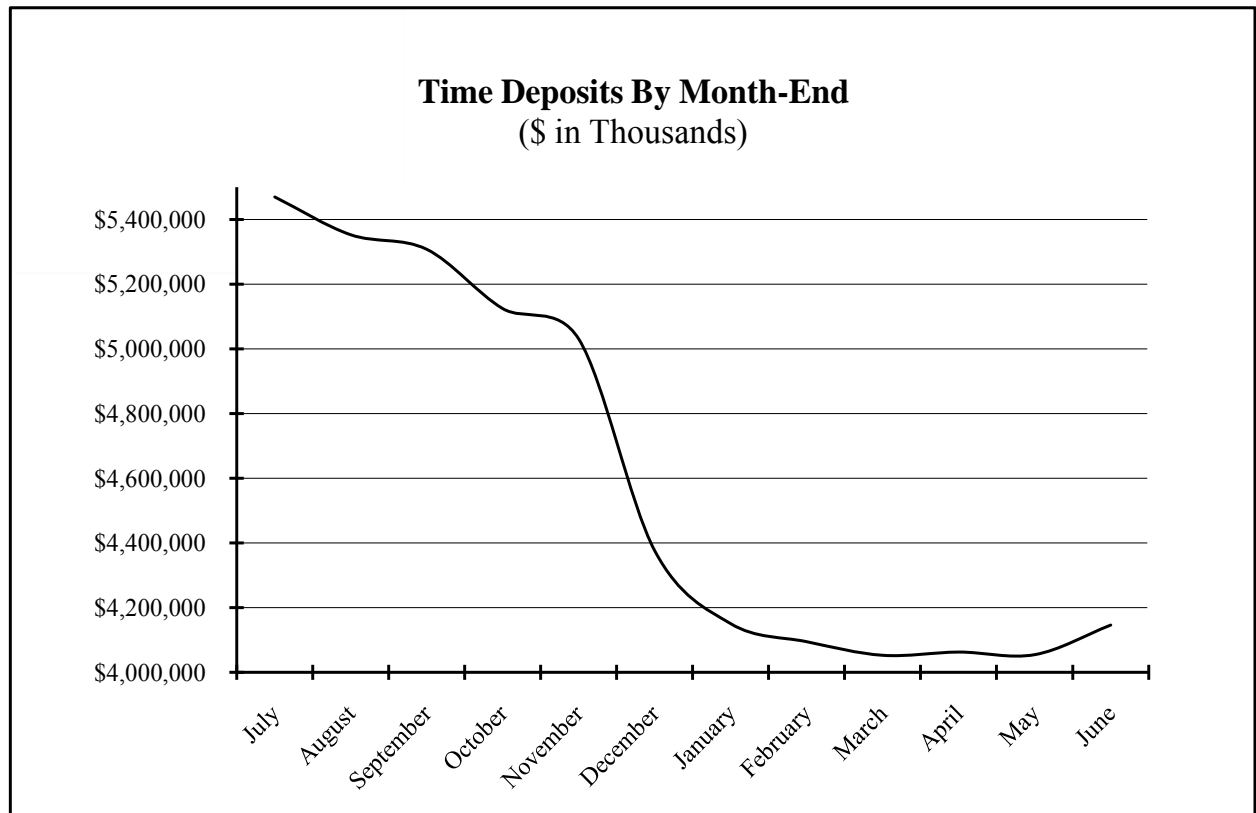
<b>Analysis of Portfolio</b> <b>2009-10 Fiscal Year</b>						
<b>Type Of Security</b>	<b>Average Daily Portfolio</b>	<b>Percent of Portfolio</b>	<b>Earnings For Year</b>	<b>Effective Percentage Yield For Year</b>	<b>Average Portfolio Life on 6/30/10 (in Days)</b>	<b>Percent of Portfolio on 6/30/10</b>
U.S. Treasury Bills/Strips	\$18,391,673,884	28.26	\$81,061,775	0.44	193	37.07
U.S. Treasury Bonds & Notes	6,433,663,595	9.89	83,119,773	1.29	492	9.59
Federal Agency Cpn Securities	4,419,082,396	6.79	56,195,279	1.27	111	2.02
Federal Agency Discount Notes	6,666,352,063	10.24	19,169,064	0.29	232	10.77
GNMA	103,619	0.00	12,226	11.80	4,381	0.00
FHLMC	878,777,700	1.35	47,431,830	5.40	4,381	0.94
Negotiable CDs	5,923,198,553	9.10	15,941,671	0.27	74	11.48
Time Deposits	4,647,944,411	7.14	9,428,728	0.20	44	5.98
Bankers Acceptances	0	0.00	0	0.00	0	0.00
Commercial Paper	6,316,676,458	9.71	17,335,270	0.27	33	11.19
Corporate Bonds	190,077,876	0.29	1,135,081	0.60	118	0.18
Repurchase Agreements	0	0.00	0	0.00	0	0.00
Reverse Repurchase Agreements	0	0.00	0	0.00	0	0.00
AB 55 Loans	1,640,908,880	2.52	27,742,030	1.69	251	0.51
General Fund Loans	9,572,379,765	14.71	65,231,155	0.68	0	10.28
<b>Total Portfolio</b>	<b>\$65,080,839,200</b>	<b>100%</b>	<b>\$423,803,882</b>	<b>0.65%</b>	<b>203</b>	<b>100%</b>

Source: State Treasurer's Office, Investment Division

Note: Totals may not add due to rounding.

## Time Deposits by Month-End 2009-10 Fiscal Year

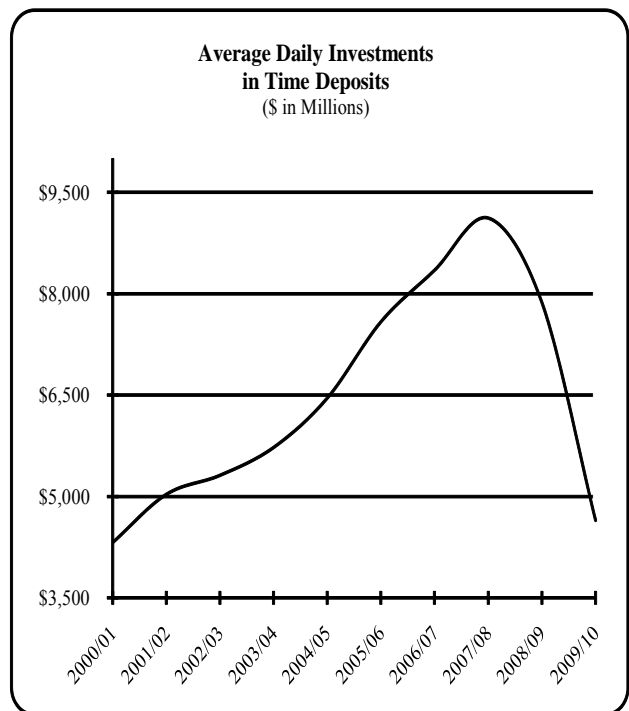
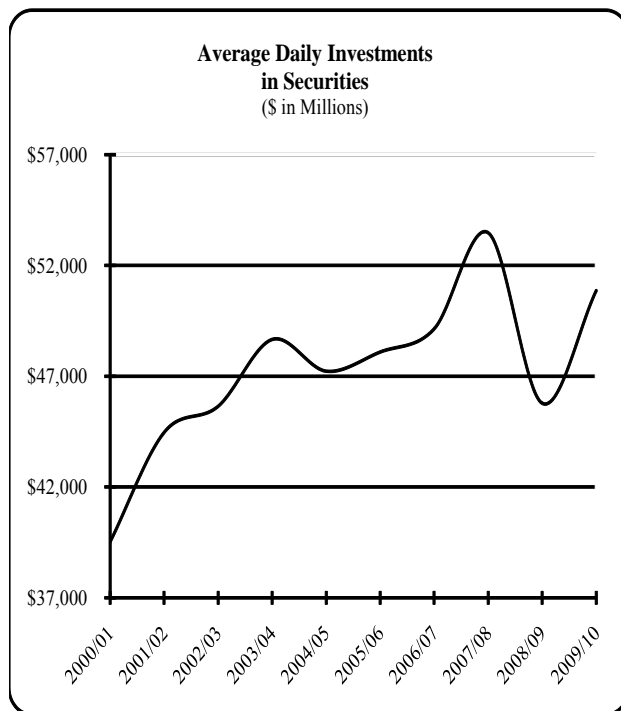
Month	Total
July 2009.....	\$5,469,700,000
August.....	5,352,700,000
September.....	5,307,700,000
October.....	5,124,400,000
November.....	5,030,400,000
December.....	4,375,800,000
January 2010.....	4,150,300,000
February.....	4,094,640,000
March.....	4,052,640,000
April.....	4,062,640,000
May.....	4,054,640,000
June.....	4,146,150,000



Source: State Treasurer's Office, Investment Division

# Summary of Investments and Earnings for Fiscal Years Ending June 30 2001 through 2010 (\$ in Thousands)

Investment in Securities				Investment in Time Deposits			
Fiscal Year	Average Daily Investment	Earnings	Earnings Rate (%)	Fiscal Year	Average Daily Investment	Earnings	Earnings Rate (%)
2000-01	\$39,522,485	\$2,424,943	6.14	2000-01	\$4,317,936	\$251,215	5.82
2001-02	44,467,159	1,563,523	3.52	2001-02	5,031,747	143,920	2.86
2002-03	45,644,967	1,013,254	2.22	2002-03	5,313,015	84,296	1.59
2003-04	48,663,614	771,823	1.59	2003-04	5,726,197	61,298	1.07
2004-05	47,229,141	1,073,098	2.27	2004-05	6,457,397	138,940	2.15
2005-06	48,095,303	1,850,015	3.85	2005-06	7,586,240	306,641	4.04
2006-07	49,143,376	2,512,140	5.11	2006-07	8,349,640	431,452	5.17
2007-08	53,475,554	2,376,670	4.44	2007-08	9,120,990	329,215	3.61
2008-09	45,780,185	1,109,867	2.42	2008-09	7,869,934	91,806	1.17
2009-10	50,860,515	349,144	0.69	2009-10	4,647,944	9,429	0.20



Source: State Treasurer's Office, Investment Division

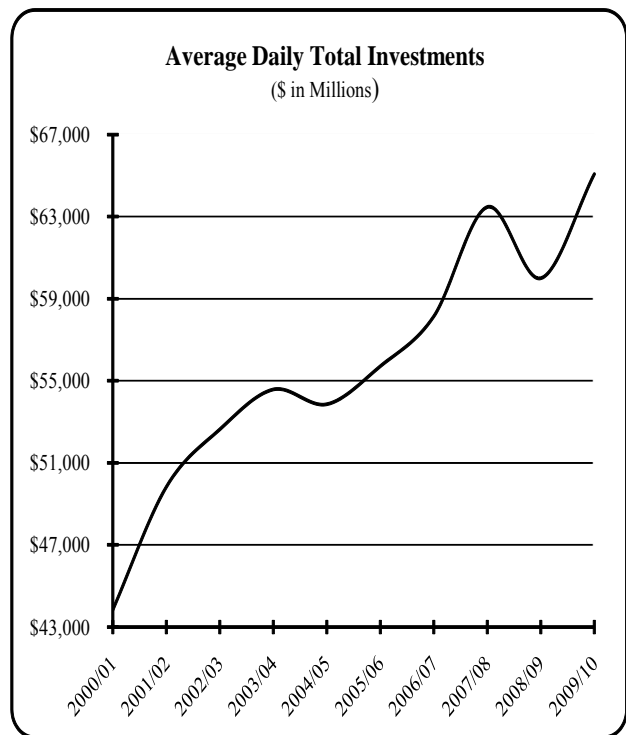
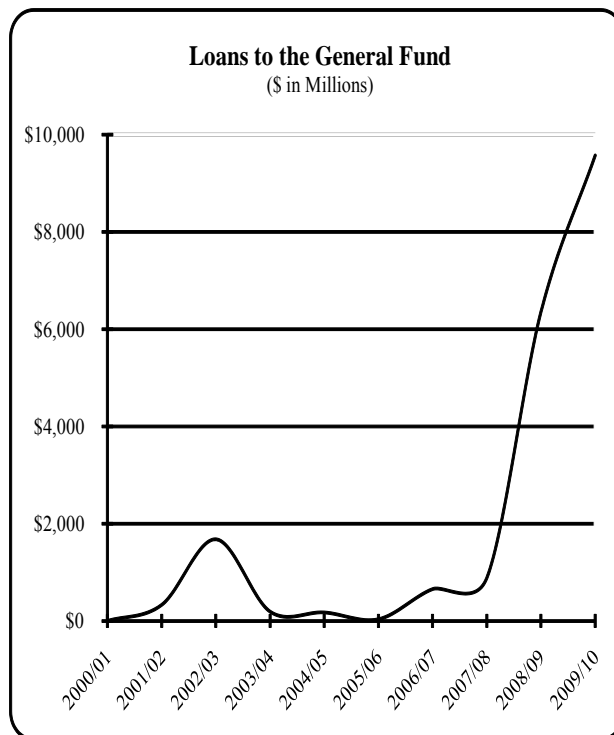
# Summary of Investments and Earnings

## Fiscal Years Ending June 30

### 2001 through 2010

(\$ in Thousands)

Loans to General Fund				Total Investments			
Fiscal Year	Average Daily		Earnings Rate (%)	Fiscal Year	Average Daily		Earnings Rate (%)
	Investment	Earnings			Investment	Earnings	
2000-01	\$0	\$0	0.00	2000-01	\$43,840,421	\$2,676,158	6.10
2001-02	328,171	9,102	2.77	2001-02	49,827,077	1,716,545	3.45
2002-03	1,678,666	35,380	2.11	2002-03	52,636,648	1,132,930	2.15
2003-04	192,039	2,950	1.54	2003-04	54,581,850	836,072	1.53
2004-05	173,949	3,078	1.77	2004-05	53,860,487	1,215,116	2.26
2005-06	33,274	1,189	3.57	2005-06	55,714,817	2,157,845	3.87
2006-07	654,425	34,033	5.20	2006-07	58,147,441	2,977,625	5.12
2007-08	882,969	39,863	4.51	2007-08	63,479,513	2,745,747	4.32
2008-09	6,353,078	133,004	2.09	2008-09	60,003,197	1,334,677	2.22
2009-10	9,572,380	65,231	0.68	2009-10	65,080,839	423,804	0.65



Source: State Treasurer's Office, Investment Division



# Financial Community Coverage

(The following firms conducted investment transactions with the State Treasurer's Office during the 2009-10 Fiscal Year.)

1st Capital Bank	El Dorado Savings Bank, FSB	Orange County Business Bank
1st Century Bank, NA	EverTrust Bank	Pacific Alliance Bank
Alamo Capital	Farmers & Merchants Bank of Central California	Pacific City Bank
American Plus Bank, NA	Finacorp Securities	Pacific Commerce Bank
American Principle Bank	First California Bank	Pacific National Bank
American River Bank	First National Bank of Northern California	Premier Valley Bank
Banc of America Securities, LLC	Five Star Bank	Prospectors Federal Credit Union
Bank of America, NA	Folsom Lake Bank	Provident Credit Union
Bank of Montreal	Ford Motor Credit Co.	Provident Savings Bank
Bank of Sacramento	Fullerton Community Bank, FSB	Rabobank, NA
Bank of the Sierra	General Electric Capital Corp.	RBC Capital Markets
Bank of the West	Golden 1 Credit Union, The	RBS Securities Inc.
Bank of Tokyo-Mitsubishi, LTD (The)	Goldman Sachs and Co.	Royal Bank of Scotland PLC
Barclays Capital Inc.	Great Pacific Securities	SAFE Credit Union
BGC Brokers, Inc.	HSBC Bank USA, NA	San Diego National Bank
Blaylock Robert Van, LLC.	ICAP Corporates, LLC	Santa Cruz County Bank
BNP Paribas Securities Corp.	J.P. Morgan Securities, Inc.	Scotia Capital Markets (USA) Inc.
Borel Private Bank & Trust Company	Jefferies & Co., Inc.	SG Americas Securities, LLC
Broadway Federal Bank, FSB	Kaiser Federal Bank	Signature Securities Group Corp.
Cabrera Capital Markets, LLC	La Jolla Bank, FSB	Societe Generale
California Bank of Commerce	Loop Capital Markets, LLC	State Bank of India (California)
California United Bank	Luther Burbank Savings	Stifel, Nicolaus and Co. Inc.
Cantor-Fitzgerald and Co.	M.R. Beal and Co.	Stone and Youngberg, LLC
Cathay Bank	Magna Securities Corp.	Summit State Bank
Center Bank	Malaga Bank	Sutter Securities, Inc.
Central Valley Community Bank	Manufacturers Bank	Torrey Pines Bank
Charter Oak Bank	Mechanics Bank, The	Toussaint Capital Partners, LLC
CIBC World Markets Corp.	Merchants National Bank of Sacramento	Toyota Motor Credit Corp.
Citigroup Funding Inc.	Metropolitan Bank	Trans-Pacific National Bank
Citigroup Global Markets Inc.	MFR Securities, Inc.	Travis Credit Union
Citizens Business Bank	Mission Community Bank	Tri Counties Bank
City National Bank	Mission Federal Credit Union	UBS Securities
Comerica Bank	Mission Valley Bank	Umpqua Bank
Commerce National Bank	Mizuho Securities USA, Inc.	Union Banc Investment Services
CommerceWest Bank, NA	Morgan Stanley	Union Bank, NA
Commonwealth Business Bank	Muriel Siebert & Co., Inc.	Valley Community Bank
Community 1st Bank	Nara Bank	Westamerica Bank
Community Bank	Oak Valley Community Bank	Western Commercial Bank
Credit Suisse Securities USA, LLC	Oceanic Bank	Williams Capital Group, L.P. (The)
D.A. Davidson & Co.	Omni Bank, NA	Wilshire State Bank
East West Bank	OneUnited Bank	Woori America Bank
Eastern International Bank	Oppenheimer & Co., Inc.	Zions Capital Markets Group

Source: State Treasurer's Office, Investment Division

# **Surplus Money Investment Fund**

## **Program Summary**

The Surplus Money Investment Fund (SMIF) consists of the available cash of all special funds which do not have investment authority of their own, and all or a portion of the available cash of special funds having investment authority of their own, but which have elected to be included in the program. Cash balances in excess of needs in any of these participating funds are invested by the Treasurer.

The PMIB determines whether any cash balances of the participating funds exceed current needs and are available for investment, or whether it is necessary to liquidate previous investments to meet current requirements. This determination is performed operationally by the State Controller's Office by means of a continuing review of the cash balances of the participating funds.

As a result of these determinations, the State Controller prepares a document for the PMIB's approval which authorizes the State Controller to increase or decrease the invested balances of the applicable funds.

All of the resources of the SMIF are invested through the PMIA. Prior to the 1967-68 fiscal year, the SMIF was a separate investment program. In 1967, legislation was enacted (Chapter 505, Statutes 1967) which provided that money in the SMIF shall be invested through the PMIA. This legislation further provided that the SMIF would share in the interest earnings of the PMIA based on the ratio that the dollar-day contributions of the SMIF bear to the dollar-day investments of the PMIA.

This legislation increased the potential investment earnings for both programs, since their high and low resource periods tend to complement each other. Consequently, under normal market conditions, more long-term, higher yielding securities may be purchased.

### **Earnings for 2009-10**

Gross earnings totaled \$223,793,195 for 2009-10. This represents an earning rate of 0.65 percent for this investment program.

SMIF earnings are computed on a dollar-day basis to guarantee equitable distribution among all member funds and apportioned quarterly by the State Controller.

## Participation

There were over one thousand special funds and accounts participating in the SMIF as of the last day of the fiscal year—June 30, 2010. Their combined deposits totaled \$37,410,565,000.

Large contributors as of June 30, 2010 were as follows:

Department of Water Resources Electric Power Fund	\$3,064,942,000
Highway Safety, Traffic Reduction Fund 2006	\$2,556,397,000
Mental Health Services Fund	\$2,440,938,000
Public Buildings Construction Fund	\$1,866,221,000
California Housing Finance Fund	\$1,686,471,000
Unemployment Compensation Disability Fund	\$1,685,908,000
Safe Drinking Water Fund (2006)	\$1,474,117,000
Disaster & Flood Bond Fund	\$1,243,977,000
Housing/Emergency Shelter Fund	\$1,162,851,000
Public Employees' Retirement Fund	\$1,135,298,000
2006 State School Facilities Fund	\$1,026,893,000

## The Year in Review

Resources.....	34.327 billion per day on average
Earnings.....	\$224 million
Earning Rate.....	0.65 percent

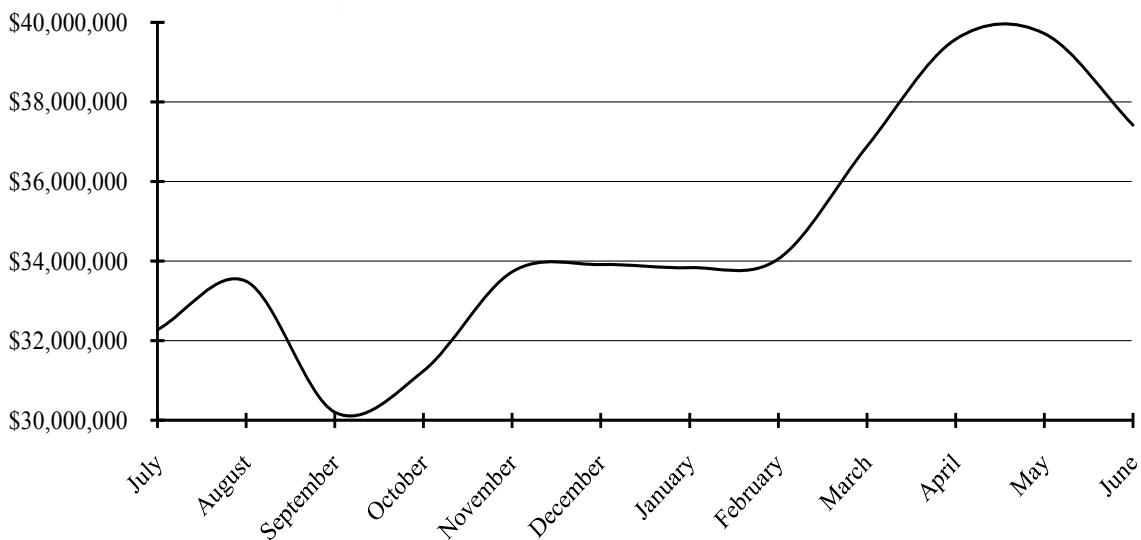
Source: State Treasurer's Office, Investment Division

Monthly deposit balances are shown in the following table:

**Resources of  
The Surplus Money Investment Fund  
2009-10 Fiscal Year (Month-End Balances)**

<b>Month</b>	<b>Total</b>
July 2009.....	\$32,272,417,000
August.....	33,489,740,000
September.....	30,201,131,000
October.....	31,238,775,000
November.....	33,727,071,000
December.....	33,909,650,000
January 2010.....	33,831,512,000
February.....	34,049,754,000
March.....	36,876,425,000
April.....	39,567,274,000
May.....	39,710,230,000
June.....	37,410,565,000

**Resources of the Surplus Money Investment Fund  
2009-10 Fiscal Year (Month-End Balances)**  
(\$ in Thousands)



Source: State Controller's Office, *Report of Cash Assets of all Funds in the State Treasury*

# Local Agency Investment Fund

## Program Summary

The Local Agency Investment Fund (LAIF) was established by Chapter 730, Statutes of 1976. This fund enables local governmental agencies or trustees to remit money not required for immediate needs to the State Treasurer for the purpose of investment. In order to derive the maximum rate of return possible, the State Treasurer has elected to invest these monies as a part of the PMIA.

Each participating agency determines the length of time its money will be on deposit with the State Treasurer with the exception of bond proceeds, which must remain for a minimum of 30 days. At the end of each calendar quarter, all earnings derived from investments are distributed by the State Controller to the participating government agencies in proportion to each agency's respective amounts deposited in the Fund and the length of time such amounts remained. Prior to the distribution, the State's reasonable costs of administering this program are deducted from the earnings.

### Earnings for 2009-10

Gross earnings for 2009-10 totaled \$156,372,921. This represented a 0.66 percent yield for this investment program.

### Participation

As of June 30, 2010, there were 2,779 participants in the LAIF consisting of 54 counties, 474 cities, 1,792 special districts, 289 trustees and 170 bond accounts. Deposits in the fund averaged \$23.74 billion for the year.

## The Year in Review

Resources.....	\$23.74	billion per day on average
Earnings.....	\$156.37	million
Earning Rate.....	0.66	percent
Participation.....	2,779	agencies or accounts at year-end

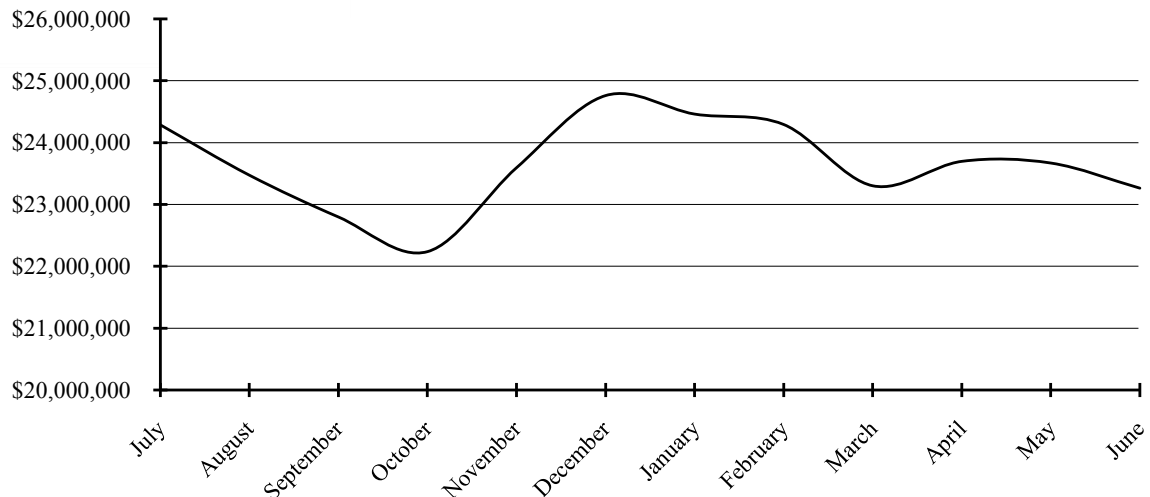
Source: State Treasurer's Office, Investment Division (LAIF)

The following table shows monthly resources of the LAIF:

**Resources of  
The Local Agency Investment Fund  
2009-10 Fiscal Year (Month-End Balances)**

<b>Month</b>	<b>Total</b>
July 2009.....	\$24,285,911,949
August.....	23,472,603,657
September.....	22,797,940,475
October.....	22,238,303,478
November.....	23,594,025,946
December.....	24,759,402,083
January 2010.....	24,460,308,602
February.....	24,292,206,832
March.....	23,301,935,002
April.....	23,696,871,704
May.....	23,669,837,913
June.....	23,263,615,099

**Resources of the Local Agency Investment Fund  
2009-10 Fiscal Year (Month-End Balances)**  
(\$ in Millions)



Source: State Treasurer's Office, Investment Division (LAIF)

# Appendices

## Appendix A

# Pooled Money Investment Account Summary of Investments and Earnings (\$ in Thousands)

Fiscal Year	Average Investment Portfolio	Earnings	Annual Earnings Rate	Average Earning Rate (Percent)		
			(Percent)	5 Years	10 Years	15 years
1956-57	\$ 393,742	\$ 9,573	2.43			
1957-58	594,306	16,421	2.76			
1958-59	544,868	15,762	2.89			
1959-60	614,835	21,045	3.42			
1960-61	736,204	28,139	3.82	3.23		
1961-62	867,144	26,521	3.06	3.19		
1962-63	910,863	30,548	3.35	3.31		
1963-64	896,535	32,519	3.63	3.46		
1964-65	966,592	38,004	3.93	3.56		
1965-66	1,083,347	47,761	4.41	3.68	3.48	
1966-67	1,057,800	52,540	4.97	4.06	3.62	
1967-68	1,117,717	56,566	5.06	4.40	3.85	
1968-69	1,301,302	78,174	6.01	4.88	4.17	
1969-70	1,216,414	84,781	6.97	5.48	4.52	
1970-71	1,264,894	77,527	6.13	5.83	4.75	4.32
1971-72	1,397,494	68,350	4.89	5.81	4.93	4.35
1972-73	2,254,401	125,116	5.55	5.91	5.15	4.54
1973-74	2,594,629	232,780	8.97	6.50	5.69	4.94
1974-75	2,749,431	238,298	8.67	6.84	6.16	5.29
1975-76	3,209,143	204,303	6.37	6.89	6.36	5.46
1976-77	4,460,487	261,657	5.87	7.08	6.45	5.65
1977-78	6,843,940	458,625	6.70	7.31	6.61	5.87
1978-79	8,123,266	692,417	8.52	7.22	6.86	6.20
1979-80	8,285,941	873,469	10.54	7.60	7.22	6.64
1980-81	7,298,693	786,877	10.78	8.48	7.69	7.07
1981-82	5,234,524	631,968	12.07	9.72	8.40	7.54
1982-83	5,254,589	549,229	10.45	10.47	8.89	7.90
1983-84	7,094,849	738,462	10.41	10.85	9.04	8.19
1984-85	11,903,660	1,275,503	10.72	10.89	9.24	8.44
1985-86	15,438,406	1,401,990	9.08	10.55	9.51	8.64
1986-87	19,167,196	1,425,047	7.43	9.62	9.67	8.81
1987-88	17,628,558	1,388,074	7.87	9.10	9.79	8.96
1988-89	17,496,405	1,516,767	8.67	8.75	9.80	8.94
1989-90	19,558,775	1,692,905	8.66	8.34	9.61	8.94
1990-91	20,754,895	1,663,140	8.01	8.13	9.34	9.05
1991-92	21,456,433	1,329,476	6.20	7.88	8.75	9.07
1992-93	23,051,543	1,085,126	4.71	7.25	8.18	8.94
1993-94	25,433,078	1,115,660	4.39	6.39	7.57	8.67
1994-95	26,802,123	1,482,574	5.53	5.77	7.05	8.33
1995-96	26,623,196	1,519,020	5.71	5.31	6.72	7.99
1996-97	28,264,069	1,582,443	5.60	5.19	6.53	7.56
1997-98	29,344,512	1,672,382	5.70	5.38	6.32	7.25
1998-99	33,451,088	1,787,765	5.34	5.58	5.98	6.91
1999-00	35,029,034	1,999,483	5.71	5.61	5.69	6.57



## Appendix A (Continued)

Fiscal Year	Average Investment		Annual Earnings Rate		Average Earning Rate (Percent)		
	Portfolio	Earnings	(Percent)		5 Years	10 Years	15 years
2000-01	\$ 43,840,421	\$ 2,676,158	6.10		5.69	5.50	6.38
2001-02	49,827,077	1,716,545	3.45		5.27	5.22	6.11
2002-03	52,636,648	1,132,930	2.15		4.55	4.97	5.73
2003-04	54,581,850	836,072	1.53		3.79	4.68	5.25
2004-05	53,860,487	1,215,116	2.26		3.10	4.36	4.83
2005-06	55,714,817	2,157,845	3.87		2.65	4.17	4.55
2006-07	58,147,441	2,977,625	5.12		2.99	4.12	4.48
2007-08	63,479,513	2,745,747	4.32		3.42	3.99	4.45
2008-09	60,003,197	1,334,677	2.22		3.56	3.67	4.31
2009-10	65,080,839	423,804	0.65		3.24	3.17	3.98

Source: The average investment portfolio, earnings and annual earnings rate were taken from the published *Annual Report of the PMIB* for each fiscal year. Please see the following note.

### NOTE TO PMIA SUMMARY OF INVESTMENTS AND EARNINGS TABLE

The PMIB was established as an agency of State government by Chapter 1703, Statutes of 1955, and became operational in April 1956. The first full year for the PMIA was 1956-57. In 1957-58, the SMIF and the Condemnation Deposits Fund (CDF) were placed under the administration of the PMIB. Separate investment portfolios were managed for these two funds for a number of years. SMIF operated this way until 1967-68, when legislation allowed this fund to be invested as a part of the PMIA. The CDF continued as a separate investment portfolio until 1975, when it was combined with the PMIA. In order to make data for the early years in the table comparable to the later years (1975-76 and after), the average daily investment and the annual earnings for both SMIF and CDF were combined with those for the PMIA. The earning rates for these early years were computed using these combined figures.

# HISTORICAL PMIA YIELDS

(Yield in Percent per Year)

Date	Monthly Average	Annual Average	Allocation Rate	
			LAIF Quarterly	SMIF Semi-Annual
Jan-77	5.77	5.87	5.68	5.79
Feb-77	5.66			
Mar-77	5.66			
Apr-77	5.65			
May-77	5.76			
Jun-77	5.85	6.70	5.78	6.18
Jul-77	5.93			
Aug-77	6.05			
Sep-77	6.09			
Oct-77	6.39			
Nov-77	6.61			
Dec-77	6.73			
Jan-78	6.92			
Feb-78	7.05			
Mar-78	7.14			
Apr-78	7.27			
May-78	7.39			
Jun-78	7.57	8.52	7.35	7.17
Jul-78	7.65			
Aug-78	7.82			
Sep-78	7.87			
Oct-78	8.11			
Nov-78	8.29			
Dec-78	8.77			
Jan-79	8.78			
Feb-79	8.90			
Mar-79	8.82			
Apr-79	9.08			
May-79	9.05			
Jun-79	9.22	9.26	9.10	8.98
Jul-79	9.20			
Aug-79	9.53			
Sep-79	9.26			
Oct-79	9.81			
Nov-79	10.22	10.06	10.06	9.66
Dec-79	10.22			

**HISTORICAL PMIA YIELDS**

(Yield in Percent per Year)

<b>Date</b>	<b>Monthly Average</b>	<b>Annual Average</b>	<b>Allocation Rate</b>	
			<b>LAIF Quarterly</b>	<b>SMIF Semi-Annual</b>
<b>Jan-80</b>	10.98	10.54	11.11	11.38
<b>Feb-80</b>	11.25			
<b>Mar-80</b>	11.49			
<b>Apr-80</b>	11.48		11.54	11.38
<b>May-80</b>	12.02			
<b>Jun-80</b>	11.80			
<b>Jul-80</b>	10.21		10.01	10.21
<b>Aug-80</b>	9.87			
<b>Sep-80</b>	9.95			
<b>Oct-80</b>	10.06		10.47	10.21
<b>Nov-80</b>	10.43			
<b>Dec-80</b>	10.96			
<b>Jan-81</b>	10.99	10.78	11.23	11.69
<b>Feb-81</b>	11.69			
<b>Mar-81</b>	11.13			
<b>Apr-81</b>	11.48		11.68	11.69
<b>May-81</b>	12.18			
<b>Jun-81</b>	11.44			
<b>Jul-81</b>	12.35		12.40	12.19
<b>Aug-81</b>	12.84			
<b>Sep-81</b>	12.06			
<b>Oct-81</b>	12.40		11.91	12.19
<b>Nov-81</b>	11.89			
<b>Dec-81</b>	11.48			
<b>Jan-82</b>	11.68	12.07	11.82	11.93
<b>Feb-82</b>	12.04			
<b>Mar-82</b>	11.84			
<b>Apr-82</b>	11.77		11.99	11.93
<b>May-82</b>	12.27			
<b>Jun-82</b>	11.99			
<b>Jul-82</b>	12.24		11.74	11.26
<b>Aug-82</b>	11.91			
<b>Sep-82</b>	11.15			
<b>Oct-82</b>	11.11		10.71	11.26
<b>Nov-82</b>	10.70			
<b>Dec-82</b>	10.40			

**HISTORICAL PMIA YIELDS**

(Yield in Percent per Year)

<b>Date</b>	<b>Monthly Average</b>	<b>Annual Average</b>	<b>Allocation Rate</b>	
			<b>LAIF Quarterly</b>	<b>SMIF Semi-Annual</b>
<b>Jan-83</b>	10.25	10.45	9.87	9.98
<b>Feb-83</b>	9.89			
<b>Mar-83</b>	9.69			
<b>Apr-83</b>	9.87			
<b>May-83</b>	9.53		9.64	9.98
<b>Jun-83</b>	9.60			
<b>Jul-83</b>	9.88			
<b>Aug-83</b>	10.08			
<b>Sep-83</b>	10.20	10.41	10.04	10.15
<b>Oct-83</b>	10.18			
<b>Nov-83</b>	10.16			
<b>Dec-83</b>	10.23			
<b>Jan-84</b>	10.31		10.32	10.63
<b>Feb-84</b>	10.28			
<b>Mar-84</b>	10.38			
<b>Apr-84</b>	10.59			
<b>May-84</b>	10.84	10.72	10.88	10.19
<b>Jun-84</b>	11.12			
<b>Jul-84</b>	11.36			
<b>Aug-84</b>	11.56			
<b>Sep-84</b>	11.60		11.53	11.44
<b>Oct-84</b>	11.68			
<b>Nov-84</b>	11.47			
<b>Dec-84</b>	11.02			
<b>Jan-85</b>	10.58	10.72	10.32	10.19
<b>Feb-85</b>	10.29			
<b>Mar-85</b>	10.12			
<b>Apr-85</b>	10.03			
<b>May-85</b>	10.18		9.98	10.19
<b>Jun-85</b>	9.74			
<b>Jul-85</b>	9.66			
<b>Aug-85</b>	9.42			
<b>Sep-85</b>	9.57	9.54	9.54	9.50
<b>Oct-85</b>	9.48			
<b>Nov-85</b>	9.49			
<b>Dec-85</b>	9.37			

**HISTORICAL PMIA YIELDS**

(Yield in Percent per Year)

<b>Date</b>	<b>Monthly Average</b>	<b>Annual Average</b>	<b>Allocation Rate</b>	
			<b>LAIF Quarterly</b>	<b>SMIF Semi-Annual</b>
<b>Jan-86</b>	9.25	9.08	9.09	8.70
<b>Feb-86</b>	9.09			
<b>Mar-86</b>	8.96			
<b>Apr-86</b>	8.62			
<b>May-86</b>	8.37			
<b>Jun-86</b>	8.23			
<b>Jul-86</b>	8.14			
<b>Aug-86</b>	7.84			
<b>Sep-86</b>	7.51			
<b>Oct-86</b>	7.59			
<b>Nov-86</b>	7.43			
<b>Dec-86</b>	7.44			
<b>Jan-87</b>	7.37	7.44	7.24	7.23
<b>Feb-87</b>	7.16			
<b>Mar-87</b>	7.21			
<b>Apr-87</b>	7.04			
<b>May-87</b>	7.29			
<b>Jun-87</b>	7.29			
<b>Jul-87</b>	7.46			
<b>Aug-87</b>	7.56			
<b>Sep-87</b>	7.71			
<b>Oct-87</b>	7.83			
<b>Nov-87</b>	8.12			
<b>Dec-87</b>	8.07			
<b>Jan-88</b>	8.08	7.87	8.01	7.95
<b>Feb-88</b>	8.05			
<b>Mar-88</b>	7.95			
<b>Apr-88</b>	7.94			
<b>May-88</b>	7.82			
<b>Jun-88</b>	7.93			
<b>Jul-88</b>	8.09			
<b>Aug-88</b>	8.25			
<b>Sep-88</b>	8.34			
<b>Oct-88</b>	8.40			
<b>Nov-88</b>	8.47			
<b>Dec-88</b>	8.56			

**HISTORICAL PMIA YIELDS**

(Yield in Percent per Year)

			Allocation Rate	
			LAIF	SMIF
Date	Monthly Average	Annual Average	Quarterly	Semi-Annual
Jan-89	8.70	8.67	8.76	8.97
Feb-89	8.77			
Mar-89	8.87			
Apr-89	8.99			
May-89	9.23		9.13	8.97
Jun-89	9.20			
Jul-89	9.06			
Aug-89	8.83			
Sep-89	8.80		8.87	
Oct-89	8.77			
Nov-89	8.69			
Dec-89	8.65	8.68	8.78	
Jan-90	8.57			
Feb-90	8.54			
Mar-90	8.51	8.52		
Apr-90	8.50			
May-90	8.53			
Jun-90	8.54	8.66	8.50	8.52
Jul-90	8.52			
Aug-90	8.38			
Sep-90	8.33	8.39		
Oct-90	8.32			
Nov-90	8.27			
Dec-90	8.28	8.27	8.34	
Jan-91	8.16			
Feb-91	8.00			
Mar-91	7.78	7.97		
Apr-91	7.67			
May-91	7.37			
Jun-91	7.17	8.01	7.38	7.67
Jul-91	7.10			
Aug-91	7.07			
Sep-91	6.86		7.00	
Oct-91	6.72			
Nov-91	6.59			
Dec-91	6.32		6.52	6.74

**HISTORICAL PMIA YIELDS**

(Yield in Percent per Year)

<b>Date</b>	<b>Monthly Average</b>	<b>Annual Average</b>	<b>Allocation Rate</b>	
			<b>LAIF Quarterly</b>	<b>SMIF Semi-Annual</b>
<b>Jan-92</b>	6.12	6.20	5.87	5.65
<b>Feb-92</b>	5.86			
<b>Mar-92</b>	5.68			
<b>Apr-92</b>	5.69		5.45	5.65
<b>May-92</b>	5.38			
<b>Jun-92</b>	5.32			
<b>Jul-92</b>	5.24		4.97	4.82
<b>Aug-92</b>	4.96			
<b>Sep-92</b>	4.76			
<b>Oct-92</b>	4.73		4.67	4.82
<b>Nov-92</b>	4.66			
<b>Dec-92</b>	4.65			
<b>Jan-93</b>	4.68	4.71	4.64	4.61
<b>Feb-93</b>	4.65			
<b>Mar-93</b>	4.62			
<b>Apr-93</b>	4.61		4.51	4.61
<b>May-93</b>	4.43			
<b>Jun-93</b>	4.55			
<b>Jul-93</b>	4.44		4.44	4.39
<b>Aug-93</b>	4.47			
<b>Sep-93</b>	4.43			
<b>Oct-93</b>	4.38		4.36	4.36
<b>Nov-93</b>	4.37			
<b>Dec-93</b>	4.38			
<b>Jan-94</b>	4.36	4.39	4.25	4.36
<b>Feb-94</b>	4.18			
<b>Mar-94</b>	4.25			
<b>Apr-94</b>	4.33		4.45	4.36
<b>May-94</b>	4.43			
<b>Jun-94</b>	4.62			
<b>Jul-94</b>	4.82		4.96	5.15
<b>Aug-94</b>	4.99			
<b>Sep-94</b>	5.11			
<b>Oct-94</b>	5.24		5.37	5.15
<b>Nov-94</b>	5.38			
<b>Dec-94</b>	5.53			

**HISTORICAL PMIA YIELDS**

(Yield in Percent per Year)

<b>Date</b>	<b>Monthly Average</b>	<b>Annual Average</b>	<b>Allocation Rate</b>	
			<b>LAIF Quarterly</b>	<b>SMIF Semi-Annual</b>
<b>Jan-95</b>	5.61	5.53	5.76	5.87
<b>Feb-95</b>	5.78			
<b>Mar-95</b>	5.93			
<b>Apr-95</b>	5.96		5.98	5.87
<b>May-95</b>	6.01			
<b>Jun-95</b>	6.00			
<b>Jul-95</b>	5.97		5.89	5.83
<b>Aug-95</b>	5.91			
<b>Sep-95</b>	5.83			
<b>Oct-95</b>	5.78		5.76	5.83
<b>Nov-95</b>	5.81			
<b>Dec-95</b>	5.75			
<b>Jan-96</b>	5.70	5.71	5.62	5.56
<b>Feb-96</b>	5.64			
<b>Mar-96</b>	5.56			
<b>Apr-96</b>	5.54		5.52	5.56
<b>May-96</b>	5.50			
<b>Jun-96</b>	5.55			
<b>Jul-96</b>	5.59		5.57	5.57
<b>Aug-96</b>	5.57			
<b>Sep-96</b>	5.60			
<b>Oct-96</b>	5.60		5.58	5.57
<b>Nov-96</b>	5.60			
<b>Dec-96</b>	5.57			
<b>Jan-97</b>	5.58	5.59	5.56	5.59
<b>Feb-97</b>	5.58			
<b>Mar-97</b>	5.58			
<b>Apr-97</b>	5.61		5.63	5.59
<b>May-97</b>	5.63			
<b>Jun-97</b>	5.67			
<b>Jul-97</b>	5.68		5.68	5.69
<b>Aug-97</b>	5.69			
<b>Sep-97</b>	5.71			
<b>Oct-97</b>	5.71		5.71	5.69
<b>Nov-97</b>	5.72			
<b>Dec-97</b>	5.74			



**HISTORICAL PMIA YIELDS**

(Yield in Percent per Year)

			Allocation Rate	
			LAIF Quarterly	SMIF Semi-Annual
Date	Monthly Average	Annual Average		
Jan-98	5.74	5.70	5.70	5.67
Feb-98	5.72			
Mar-98	5.68			
Apr-98	5.67			
May-98	5.67			
Jun-98	5.67			
Jul-98	5.65			
Aug-98	5.65			
Sep-98	5.64			
Oct-98	5.56			
Nov-98	5.49			
Dec-98	5.37			
Jan-99	5.26	5.34	5.46	5.55
Feb-99	5.21			
Mar-99	5.14			
Apr-99	5.12			
May-99	5.09			
Jun-99	5.09			
Jul-99	5.18			
Aug-99	5.22			
Sep-99	5.27			
Oct-99	5.39			
Nov-99	5.48			
Dec-99	5.64			
Jan-00	5.76	5.71	5.49	5.34
Feb-00	5.82			
Mar-00	5.85			
Apr-00	6.01			
May-00	6.19			
Jun-00	6.35			
Jul-00	6.44			
Aug-00	6.50			
Sep-00	6.50			
Oct-00	6.52			
Nov-00	6.54			
Dec-00	6.53			
			6.52	6.49

**HISTORICAL PMIA YIELDS**

(Yield in Percent per Year)

			Allocation Rate	
			LAIF Quarterly	SMIF Semi-Annual
Date	Monthly Average	Annual Average		
Jan-01	6.37	6.10	6.16	5.73
Feb-01	6.17			
Mar-01	5.98			
Apr-01	5.76			
May-01	5.33			
Jun-01	4.96			
Jul-01	4.63		5.32	
Aug-01	4.50			
Sep-01	4.29			
Oct-01	3.78			
Nov-01	3.53			
Dec-01	3.26			
Jan-02	3.07	3.52	3.99	
Feb-02	2.97			
Mar-02	2.86			
Apr-02	2.84			
May-02	2.74			
Jun-02	2.69			
Jul-02	2.71	3.45	2.85	
Aug-02	2.59			
Sep-02	2.60			
Oct-02	2.49			
Nov-02	2.30			
Dec-02	2.20			
Jan-03	2.10	2.15	2.31	2.47
Feb-03	1.94			
Mar-03	1.90			
Apr-03	1.86			
May-03	1.77			
Jun-03	1.70			
Jul-03	1.65		1.77	
Aug-03	1.63			
Sep-03	1.64			
Oct-03	1.60			
Nov-03	1.57			
Dec-03	1.55			

**HISTORICAL PMIA YIELDS**

(Yield in Percent per Year)

<b>Date</b>	<b>Monthly Average</b>	<b>Annual Average</b>	<b>Allocation Rate</b>	
			<b>LAIF Quarterly</b>	<b>SMIF * Quarterly</b>
<b>Jan-04</b>	1.53	1.53		
<b>Feb-04</b>	1.44			
<b>Mar-04</b>	1.47		1.47	1.47
<b>Apr-04</b>	1.45			
<b>May-04</b>	1.43			
<b>Jun-04</b>	1.47		1.44	1.44
<b>Jul-04</b>	1.60			
<b>Aug-04</b>	1.67			
<b>Sep-04</b>	1.77		1.67	1.67
<b>Oct-04</b>	1.89			
<b>Nov-04</b>	2.00			
<b>Dec-04</b>	2.13		2.00	2.00
<b>Jan-05</b>	2.26	2.26		
<b>Feb-05</b>	2.37			
<b>Mar-05</b>	2.54		2.38	2.37
<b>Apr-05</b>	2.72			
<b>May-05</b>	2.86			
<b>Jun-05</b>	2.97		2.85	2.85
<b>Jul-05</b>	3.08			
<b>Aug-05</b>	3.18			
<b>Sep-05</b>	3.32		3.18	3.18
<b>Oct-05</b>	3.46			
<b>Nov-05</b>	3.64			
<b>Dec-05</b>	3.81		3.63	3.63
<b>Jan-06</b>	3.96	3.87		
<b>Feb-06</b>	4.04			
<b>Mar-06</b>	4.14		4.03	4.03
<b>Apr-06</b>	4.31			
<b>May-06</b>	4.56			
<b>Jun-06</b>	4.70		4.53	4.53
<b>Jul-06</b>	4.85			
<b>Aug-06</b>	4.95			
<b>Sep-06</b>	5.02		4.93	4.93
<b>Oct-06</b>	5.10			
<b>Nov-06</b>	5.13			
<b>Dec-06</b>	5.13		5.11	5.11

**HISTORICAL PMIA YIELDS**

(Yield in Percent per Year)

<b>Date</b>	<b>Monthly Average</b>	<b>Annual Average</b>	<b>Allocation Rate</b>	
			<b>LAIF Quarterly</b>	<b>SMIF * Quarterly</b>
<b>Jan-07</b>	5.16	5.12	5.17	5.17
<b>Feb-07</b>	5.18			
<b>Mar-07</b>	5.21			
<b>Apr-07</b>	5.22		5.23	5.23
<b>May-07</b>	5.25			
<b>Jun-07</b>	5.25			
<b>Jul-07</b>	5.26		5.24	5.24
<b>Aug-07</b>	5.25			
<b>Sep-07</b>	5.23			
<b>Oct-07</b>	5.14		4.96	4.96
<b>Nov-07</b>	4.96			
<b>Dec-07</b>	4.80			
<b>Jan-08</b>	4.62	4.33	4.18	4.17
<b>Feb-08</b>	4.16			
<b>Mar-08</b>	3.78			
<b>Apr-08</b>	3.40		3.11	3.11
<b>May-08</b>	3.07			
<b>Jun-08</b>	2.89			
<b>Jul-08</b>	2.79		2.77	2.77
<b>Aug-08</b>	2.78			
<b>Sep-08</b>	2.77			
<b>Oct-08</b>	2.71		2.54	2.53
<b>Nov-08</b>	2.57			
<b>Dec-08</b>	2.35			
<b>Jan-09</b>	2.05	2.22	1.91	1.90
<b>Feb-09</b>	1.87			
<b>Mar-09</b>	1.82			
<b>Apr-09</b>	1.61		1.51	1.51
<b>May-09</b>	1.53			
<b>Jun-09</b>	1.38			
<b>Jul-09</b>	1.04		0.90	0.89
<b>Aug-09</b>	0.92			
<b>Sep-09</b>	0.75			
<b>Oct-09</b>	0.65		0.60	0.59
<b>Nov-09</b>	0.61			
<b>Dec-09</b>	0.57			

Appendix B (Continued)

## HISTORICAL PMIA YIELDS

(Yield in Percent per Year)

Date	Monthly Average	Annual Average	Allocation Rate	
			LAIF Quarterly	SMIF * Quarterly
<b>Jan-10</b>	0.56			
<b>Feb-10</b>	0.58			
<b>Mar-10</b>	0.55		0.56	0.55
<b>Apr-10</b>	0.59			
<b>May-10</b>	0.56			
<b>Jun-10</b>	0.53	0.65	0.56	0.56

Effective January 1, 2004, SMIF earnings are allocated quarterly.

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